HOMES GUARANTEE

MEMO: UNDERSTANDING HOUSING SUPPLY IN RELATIONSHIP TO RENT REGULATIONS

SEPTEMBER 13, 2023

TO: Federal Housing Finance Agency

FROM: Homes Guarantee Campaign

INTRODUCTION

The housing market has failed to provide adequate supply of truly affordable rental units to meet tenants' needs. In recent years, and especially since the pandemic, America's housing supply hemorrhaged as landlords hiked rents at the fastest rate in decades.[1] This memo outlines the current state of American rental housing supply and describes the need for rent regulations to address the rental supply gap.

THE STATE OF AMERICA'S HOUSING SUPPLY

America faces a vast and growing shortage of rental housing units. According to 2023 Federal Reserve Economic Data, there are 44.3 million occupied rental housing units in America and a rental vacancy rate of just 6.3 percent.[2] Some of the recent supply crunch came as a result of new tenant households in the early years of the pandemic. The number of tenant households grew by one million between the first quarter of 2020 and the first quarter of 2022.[3]

The housing supply gap squeezes tenants, especially low income tenants. Half of all tenants spend over 30 percent of their income on rent, with 27 percent spending over 70 percent of their income on housing costs alone.[4] In 2023, there is not a single state, metro area, or county where a worker employed full-time at the federal minimum wage can afford a modest two-bedroom apartment.[5] In fact, to afford a two-bedroom apartment, a minimum wage worker would need to work four jobs or have three roommates.[6]

The housing supply gap is primarily a problem of *affordable* supply. Multifamily housing production was "extraordinarily" strong over the last two years, with 960,000 units under construction as of March 2023—the largest multifamily boom in the last 50 years.[7] While multifamily production is at a

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[1] Groundwork Collaborative. October 2022. "The Rent is [still] too damn high." Accessed at https://peoplesaction.org/wp-content/uploads/2022/10/Rent-Inflation-Memo_10-13_final.pdf

[2] https://fred.stlouisfed.org/categories/32301

[3] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2023*, (https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf).

[4] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2023*, (https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf).

[5] National Low Income Housing Coalition, *The Gap: A Shortage of Affordable Rental Homes*, (March 2023) (https://nlihc.org/gap)

[6] Nicole Bachaud, *Three Roommates or Four Jobs Needed to Afford a Two-Bedroom Rental on Minimum Wage*, Zillow, (Jan. 31, 2023) (https://www.zillow.com/research/minimum-wage-rent-32060/)

[7] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2023*, (https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf).

decades-long peak, those units are inaccessible to the tenants who need them most.[8] In 2022, the median asking rent for new multifamily units nationwide was $1,800, and over one-third of new construction had an asking rent of at least $2,050.[9] Between 2015-2022, the share of newly completed units with rents of $2,050 or more nearly doubled, from 19 percent to 36 percent. Meanwhile, the share of new units with rents below $1,050 fell from 22 percent in 2015 to just 5 percent in 2022.[10] The new units mostly target the high end of the market, creating a higher vacancy rate in that segment of the market and failing to address the true supply gaps.[11]

We are losing affordable housing supply as landlords hike rents to maximize profits. The supply of low-cost units has been declining consistently for years, leaving low-income tenants with even fewer places to live. According to Harvard's Joint Center on Housing Studies, America lost 3.9 million units with rents below $600 (the maximum amount affordable to households with incomes of $24,000 or less, about 30 percent of all tenant households) during the last decade, and the loss has been accelerating.[12] During the pandemic, landlords converted affordable units to market rate housing; that segment of the market lost 1.2 million units between 2019-2021 alone.[13] In the same period of time, 14 states lost more than 15 percent of their affordable housing stock.[14] This is not a story of underproduction; this is a story of deregulation. These units were not demolished– landlords increased the rent. The rent increases did not correspond to improvements in the quality or conditions of the homes, but on whatever the market would allow.

Major players in the secondary mortgage market, Fannie Mae and Freddie Mac (the Enterprises) enable some of the worst business practices driving the supply gap. The Enterprises do not lend directly to multifamily landlords but rather purchase multifamily loans from lenders, offering $150 billion in financing that undergirds the private rental market each year. This promotes liquidity in the multifamily lending market while relieving lenders of default risk. Even though the Enterprises do not directly lend to landlords, they guarantee the loans that landlords take out, allowing lenders to continue making loans to other landlords. The Enterprises provide a major financial benefit to lenders and the multifamily housing finance system as a whole; these terms benefit landlords and their investors, often at the tenants' expense. Across the country, landlords leverage Fannie Mae and Freddie Mac loans to acquire or refinance unsubsidized or "naturally occurring" affordable housing. The financing does not come with any affordability requirements. The Enterprises have a track record of buying and providing guarantees to overvalued loans.[15] Many of these loans can only be paid down if the borrower plans to hike rents and fees, neglect building maintenance, and evict tenants. The Enterprises have enabled a market that, in some ways, incentivizes predatory behaviors by landlords.[16,17]

The lack of regulation in Enterprise-backed properties has a profound, negative impact on affordable housing supply. One example of how this plays out in Enterprise-backed properties is in Alexandria, Virgina. Southern Towers, 2,311 units of housing, is home to predominantly African immigrants and other working class people of color. CIM Group acquired Southern Towers in August 2020 with $346.7

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[8] Id.
[9] Id.
[10] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2023*, (https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf).
[11] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2023*, (https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf).
[12] Id.
[13] Id.
[14] Id.
[15] Mari, Francesca. (2020). "A $60 Billion Housing Grab by Wall Street." *New York Times*. https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html
[16] Greenberg, David, et al. (2022). "Gambling with Homes, or Investing in Communities: How speculation drives evictions and poor housing quality, and how affordable housing protects neighborhoods of color." *Accessed at https://www.lisc.org/media/filer_public/fc/26/fc26b3d0-8d45-41d6-a90c-f3b9966b7796/032422_gambling_with_homes_or_investing_in_communities.pdf*
[17] Markey, Eileen. 2023. "How Freddie Mac Helps Private Equity Profit from Tenant Misery." *The Nation.* *https://www.thenation.com/article/society/freddie-mac-private-equity-housing/*

million in acquisition financing from Freddie Mac, one of the biggest multifamily deals of that year.[18] The Freddie Mac loan that facilitated this purchase translates to a value and debt per unit that likely only makes financial sense for the landlord if their intention is to raise rents immediately and regularly thereafter. Within six months of acquisition, between September 2020-February 2021, they filed to evict over 250 households during the pandemic and instituted 9% rent increases for the rest.[19] CIM was targeting 13 percent annual returns within six years for their investors, hoping to change the character of these properties entirely. In their press release announcing the purchase of Southern Towers, CIM noted that the property is "six miles from Amazon's HQ2…," previewing their expectation that the Towers can one day house higher-wage and higher-rent paying households with Amazon corporate workers.[20] While Alexandria has lost 88 percent of its affordable housing since 2000, Southern Towers had been a stronghold, until CIM entered the picture.[21]

Inadequate regulation in other federally-supported properties will lead to even more affordable housing supply loss. Low Income Housing Tax Credit (LIHTC)-supported housing has some affordability protections, but those protections generally expire after 30 years. After the affordability requirements expire, landlords often convert to market rate. For example, corporate landlord Golden State Financial bought the Sierra Ridge Apartment complex in Clovis, California as the LIHTC affordability requirements were expiring. The landlord purchased the property with financing backed by Fannie Mae. In a region where rents had increased 21 percent between 2021-2022, Sierra Ridge had been a bastion of affordability.[22] Soon after purchase, Golden State Financial took advantage of expiring affordability requirements to hike rents throughout the property with less than a year's notice (contrary to California law). As over 188,000 Low Income Housing Tax Credit properties reach their 30-year affordability expiration dates in the next five years, landlords will have even more opportunities to convert to market rate, at the expense of tenants.[23]

These building-level experiences of displacement match the larger story shown in the data on housing supply: in an unregulated rental market, we are losing affordable housing faster than we can produce it. The answer is regulation.

RENT REGULATIONS AND SUPPLY

Rent regulation is key to preserving affordable housing supply. The best attempts to encourage housing supply, like the Biden Housing Supply Action Plan, would create 1.5 million units over several years. Without rent regulation, that infusion of supply will not meaningfully impact the market, as we are on track to lose another several million units to speculation in the meantime. Rent regulation is the only hope to preserve the existing supply of truly affordable housing, protecting tenants and stabilizing the market while new supply is built.

Rent regulation works. Despite concerted industry attacks, as of 2018, 182 cities and municipalities across the country had some form of rent regulation.[24] The last five years has seen a period of renewed interest in rent regulation and associated tenant protections. In 2019 California and Oregon passed rent regulations, becoming the only states with statewide limits, and joining Washington DC as jurisdictions

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[18] Nicoll, Alex. (2022). "A band of immigrant tenants went to war with their $31 billion landlord. It's a sneak peek at what's to come across America." *Insider.* Accessed at https://www.businessinsider.com/southern-towers-apartment-tenants-battle-investor-landlord-2022-11

[19] Southern Towers research from African Communities Together. See https://africans.us/southern-towers.

[20] African Communities Together. (2021). "Invested in Evictions: CIM Group, Southern Towers, and the Crisis of Publicly-Financed Displacement." Accessed at https://africans.us/sites/default/files/Invested%20in%20Evictions%20with%20hyperlinks_0.pdf.

[21] Ibid.

[22] Duong, Brandon. 2022. "What Can Be Done When LIHTC Affordability Restrictions Expire?" *Shelterforce*. Accessed at https://shelterforce.org/2022/04/07/what-can-be-done-when-lihtc-affordability-restrictions-expire/

[23] Andrew Aurand, Dan Emmanuel, Kelly Mcelwain, and Keely Stater, "BALANCING PRIORITIES: Preservation and Neighborhood Opportunity in the Low-Income Housing Tax Credit Program Beyond Year 30," National Low Income Housing Coalition, October 2018, https://nlihc.org/sites/default/files/Balancing-Priorities.pdf

[24] Prasanna Rajasekaran, Mark Treskon & Solomon Greene, Urb. Inst.,Rent Control: What Does the Research Tell Us About The Effectiveness of Local Action? 3 (Jan. 2019), https://www.urban.org/sites/default/files/publication/99646/rent_control._what_does_the_research_tell_us_about_the_effectiveness_of_local_action_1.pdf.

with broadly applicable laws. Maryland, New Jersey, New York, and Maine have not passed statewide rent limits, but explicitly allow them at the local level.[25] In 2020, Portland, Maine approved its first rent regulation law.[26] In 2021, St. Paul followed suit, and Minneapolis voters approved a charter amendment authorizing the city council to do so.[27] During the 2022 midterm elections, voters in Orange County (Florida), Portland (Maine), and Santa Monica, Pasadena, and Richmond (California) passed additional voter initiatives to regulate rents and expand protections for tenants.[28] In the last five years alone, more than a dozen other states have introduced bills that would roll back preemptions, introduce rent regulations, or extend related tenant protections.[29]

The contemporary stigmas against rent regulation are the product of a decades-long lobbying effort on the part of the real estate industry. Since the beginning of 2022, the top real estate industry lobbying organizations have spent nearly $10 million lobbying against rent control in Congress and to the Biden Administration.[30] The National Multifamily Housing Council (NMHC), a leading industry lobby group, publicly opposed President Biden's Blueprint for a Renters Bill of Rights, and has spent over $4 million annually lobbying Congress and the federal executive branch to block common sense regulation in the housing market.[31] Their membership includes some of the world's largest private equity firms, including Blackstone and Avalon Bay, both of whom have leveraged Fannie Mae and Freddie Mac financing to buy distressed properties, defer maintenance, and hike rents.

Rent regulations do not negatively impact supply, and in fact they can boost supply. Despite industry fear-mongering about the impact of rent regulations on the supply of new housing, multiple studies have found that rent regulations have little impact on depressing new construction:

- **Massachusetts:** An analysis of three Massachusetts cities found that multifamily building construction permits reached their height in the mid to late 1980s—a time when rent stabilization policies were in full effect.[32]
- **New Jersey:** Multiple studies comparing New Jersey municipalities with and without rent control found no significant relationship between rent control and new housing construction.[33] This is especially significant given the number of jurisdictions in New Jersey that have some form of rent regulations - over 100.
- **Washington DC:** A study of rent control in the District of Columbia, published in 1990, found no significant relationship between rent control and new housing construction.[34] New rental units were built in DC and other uncontrolled cities during the 1970s and 1980s, even when the rental stock nationwide was shrinking.
- **California:** Assessing housing production from 2007-2013, a study found that the six cities with rent control in the Bay Area produced more housing units per capita than cities without rent

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[25] National Multifamily Housing Council, Rent Control By State Law 1 (July 2022), https://www.nmhc.org/globalassets/advocacy/rent-control/rent-control-by-state-law-chart_2022.pdf.
[26] City of Portland, Maine. "Rent Control and Rental Housing Rights." *Accessed* July 31 at https://www.portlandmaine.gov/1148/Rent-Control-Rental-Housing-Rights
[27] Capps, Kriston. (2021). "As Housing Costs Spike, Voters Look for Hope in Rent Control." *City Lab.* Accessed at https://www.bloomberg.com/news/articles/2021-11-04/rent-control-scored-a-big-election-night-victory
[28] Janie Har, "Rent Stabilization Measures Win in US Midterm Election," *AP News* (Nov. 16, 2022), https://apnews.com/article/2022-midterm-elections-inflation-florida-california-ef325d98687bbc08f2900b230a155852; Jennifer Ludden, "Rent Control Expands as Tenants Struggle with the Record-High Cost of Housing," *NPR* (Nov. 28, 2022), https://www.npr.org/2022/11/28/1138633419/rent-control-economists-tenants-affordable-housing-ballot-measures.
[29] Homes Guarantee analysis of legislation introduced in state legislatures between 2017 and 2023.
[30] More Perfect Union (2023). "Video: National rent control is closer than you think." Accessed at https://twitter.com/MorePerfectUS/status/1684216192154624000?s=20
[31] Shankar, Vishal, et al. (2023). "Harlan Crow's Minions are Keeping Your Rent High." *Revolving Door Project*. Accessed at https://therevolvingdoorproject.org/harlan-crow-nmhc/
[32] David Sims, "Out of Control: What Can We Learn from the End of Massachusetts Rent Control?" Journal of Urban Economics 61, 1 (2007): 141–142.
[33] John I. Gilderbloom and Ye Lin, "Thirty Years of Rent Control: A Survey of New Jersey Cities," Journal of Urban Affairs 29, 2 (2007): 213–214; Joshua Ambrosius, John Gilderbloom, William Steele, Wesley Meares, and Dennis Keating, "Forty Years of Rent Control: Reexamining New Jersey's Moderate Local Policies after the Great Recession," Cities 49 (2015): 128.
[34] Margery Turner, "Housing Market Impacts of Rent Control: The Washington, D.C. Experience," Washington, DC: Urban Institute, 1990, 84-94.

control.[35] A study considering the effect of rent control from 1978-1994 and concludes that "the best available evidence shows that rent control had little or no effect on the construction of new housing."[36]

- **Minneapolis, MN:** Financial modeling showed that even the strictest rent regulation would affect a minority of Minneapolis apartment units.[37][38]

Rent regulations protect the most vulnerable tenants from displacement and rent hikes. Like all consumer protections, rent regulations will be most effective if they are applied universally, without any means-testing. Even so, rent regulations disproportionately benefit low-income tenants, seniors, people of color, female-headed households, people with disabilities and chronic illnesses, families with children, and others who have the least choice in the rental market and who are most susceptible to rent gouging, harassment, eviction, and displacement.[39]

To learn more about the empirical research on rent regulations as they relate to the Enterprises, see this letter, led by 32 economists, outlining the evidence.

REGULATING THE SECONDARY MORTGAGE MARKET

The Federal Housing Finance Agency (FHFA) can play a key role in promoting stability in the American economy by regulating the multifamily market. Congress established FHFA to oversee the safety and soundness of the Enterprises and the Federal Home Loan Banks, and to ensure that those regulated entities achieve the purposes of the Safety and Soundness Act of 1992, the Enterprises' charters, and other applicable laws. Since 2008, FHFA has also served as the conservator of the Enterprises. FHFA has a well established statutory mandate to address "the challenges faced by tenants…in the multifamily housing market" and to "assess [the Enterprises']…policies and business practices that affect low and moderate-income families or cause racial disparities, including how their activities support the objectives of comprehensive housing affordability strategies."

The Enterprises have influence in the secondary market that can shape it for the better while maintaining their safety and soundness. In many ways, the Enterprises are the table setters for the multifamily real estate market. The Enterprises own nearly half of the $2 trillion in currently outstanding mortgage debt, and their market share has increased steadily since 2008.[40] The Enterprises' increasing influence over the multifamily rental market is, in large part, due to the lucrative loan terms they offer, which in many cases are stronger than those of regional banks. These loan terms include interest-only periods, high loan-to-value ratios, and longer term loans at fixed rates that are lower than what banks can

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[35] Miriam Zuk, "Rent Control: The Key to Neighborhood Stabilization?" Urban Displacement Project, September 9, 2015, https://www.urbandisplacement.org/blog/rent-control-the-key-to-neighborhood-stabilization/.

[36] Planning & Development Department, "Rent Control in the City of Berkeley, 1978 to 1994: A Background Report," City of Berkeley, May 27, 1998, 76.

[37] Edward G. Goetz, Anthony Damiano, Peter Hendee Brown, Patrick Alcorn, Jeff Matson, "Minneapolis Rent Stabilization Study," Center for Urban and Regional Affairs at the University of Minnesota, September 2021, https://www.cura.umn.edu/research/minneapolis-rent-stabilization-study.

[38] The real estate lobby often points to the passage of rent stabilization in St. Paul as an example of rent stabilization not working. In reality, it is much too soon to assess the long-term impact of rent stabilization, and any premature claims of policy failure must be accompanied with facts about the timing of development, policy passage and implementation in the St. Paul context. First, St. Paul has only had rent stabilization in effect since May 1st, 2022, which is not enough time to complete a longitudinal study on its impact on housing supply and development. Studies that focus on too narrow of a temporal window cannot separate the impact of policy on development from the impact of general market ebbs and flows. For example, 2020-2022 has seen drastic changes in interest rates, a global supply chain crisis and a steep rise in construction costs. These global and economic factors have a much stronger impact on development than local ordinances. Secondly, the timing of the St. Paul development community's capital strike shows a weak relationship between development and actual policy implementation. Numbers reported by local sources show that developers began their capital strike as early as September 2021, when rent stabilization had yet to be voted on. Furthermore, the ordinance that was placed on the November 2021 passed a policy that was not implemented until May 1, 2022, but the supposed drop in development took place well before that. Lastly, the numbers that have been recorded for development permits in St. Paul require extra explanation, as some will argue that city numbers contradict HUD numbers and overestimate development. The City of St. Paul's Department of Safety and Inspections measures permit requests at the beginning of the development process, and HUD measures approvals at the end of the process - which is why City numbers are higher than HUD numbers for development.

[39] Id.

[40] Homes Guarantee analysis of Board of Governors of the Federal Reserve System (US), All Sectors; Multifamily Residential Mortgages; Asset, Level [ASMRMA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ASMRMA, May 30, 2023.

typically offer the multifamily rental market nationally and, in many regional contexts, allows the Enterprises to outcompete other secondary lenders. FHFA must acknowledge this leverage to create a housing market that works for all by ensuring that tenants have the protections that they need.

The Enterprises have a particular advantage in the current market, which is shaped by a period of interest-rate instability, and they should use this leverage to set new precedent for tenant protections. The Enterprise lending model and implicit government guarantee means that they can price long-duration financing that balance sheet lenders cannot. Higher interest rates significantly increase the costs of mortgages and are likely to change the nature of the landlord mortgage market, putting a downward pressure on asset values. Since the Enterprises have an implicit government guarantee to their securities and do not need to match interest rates with depositors in the same manner, they can offer longer term loans at fixed rates that are lower than what banks can offer. Given these dynamics, we believe that regulating Enterprise-backed borrowers will help shape the market for the better without negatively impacting the Enterprises' influence.

CONCLUSION

We are losing affordable housing units to landlords' speculative practices faster than we can build more, and tenants are paying the price. The industry continues to push for more liquidity to build, with limited commitments to the affordable supply we need, and with no evidence that building in the high-end market translates to more affordable housing supply. Regulation is critical to protect existing affordable housing supply, and it is the only intervention that will work quickly enough to stabilize the economy.

In the face of possible regulations, the real estate industry's messages are the same as ever: any proposed change will impact their ability to do business. What we have to consider, in the face of these arguments, is who their business serves, and who it does not serve. It is time for the federal government to correct the imbalance of power between landlords and tenants, and to protect tenants with rent regulations.

FHFA has a key role to play in regulating the secondary mortgage market, which can in turn influence the rest of the market. As an immediate step in the right direction, FHFA should require an annual limit of 3% on rent increases in Enterprise-backed properties. This limit on rent hikes should be applied universally and as a requirement of Enterprise-backed financing. FHFA should not allow for exemptions based on building type, age of the property, new construction, or anything else. FHFA should accompany the rent increase limit for borrowers of Enterprise-backed loans with vacancy control, which ensures that the maximum allowable rent increase is set, even if tenancy changes, to avoid landlords using evictions as a work-around.

CASE STUDIES: AFFORDABLE HOUSING SUPPLY AND ENTERPRISE-BACKED PROPERTIES

INTRODUCTION

These case studies show the impact of Enterprise-backed loans in the housing markets across a range of American communities with large and growing affordable housing supply gaps. Fannie Mae and Freddie Mac (the Enterprises) offer lucrative loans to some of the biggest landlords in these communities. Because their loan terms rarely include universal tenant protections, like annual rent-increase caps, many of the landlords regularly and aggressively hike rents. In some instances, we found that the loan terms actually encouraged such rent hikes. In these markets, Enterprise-backed landlords function as table-setters, establishing rents and other standards that are followed by other landlords. When we study this trend at a community level, we can see the significant negative impact of lacking regulation, as affordable housing supply is lost to rent hikes at a rate faster than it could be built anew. The results are especially devastating in smaller towns and cities, with even fewer affordable and available housing units for low income tenants.

CASE STUDY 1: SHELBYVILLE, TN

Shelbyville is a town of 23,743 located in central Tennessee, about an hour south of Nashville. Pen manufacturers, Tyson Foods, and Walmart are some of the top employers. The Nashville-Davidson--Murfreesboro--Franklin, TN (Metro) region which encompasses Bedford County and Shelbyville is home to 60,551 extremely low income tenant households but only 20,162 affordable and available rental homes. The region's affordable housing supply gap is 40,389 units.[1]

Of the 933 multifamily apartment units located in Shelbyville, 392 units (42 percent) have Enterprise-backed mortgages.[2] Previously an affordable, small community, now Shelbyville is at a crossroads. In just a few years, median rent has increased 50 percent. The average one bedroom apartment cost $650 in January 2022, and cost $975 by February 2023.[3]

According to the Bedford County Listening Project (BCLP), a community organization that spoke with over 1,000 Shelbyville tenant households between February-August 2023, 46 percent of surveyed tenants spent more than half of their income on housing costs and 10 percent pay over 75 percent of their income on rent.[4]

Now rent hikes are decimating what remains of the region's affordable housing supply. In a community of this size, rent hikes in the bigger complexes have a ripple effect in the market. Many of the bigger complexes are financed by lucrative, Enterprise-backed loans, but the landlords' practices are not adequately regulated to protect housing supply in the region. The table below lists all Enterprise-backed properties in Shelbyville, illustrating this reality.

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[1] "Gap Report: Tennessee." *National Low Income Housing Coalition*, nlihc.org/gap/state/tn.
[2] *Defending Our Homes: Addressing the Housing Human Rights Crisis in Rural Middle Tennessee* . Bedford County Listening Project , Aug. 2023.
[3] "Average Rental Price in Shelbyville, TN & Market Trends | Zillow Rental Manager." *Www.zillow.com*, www.zillow.com/rental-manager/market-trends/shelbyville-tn/?bedrooms=1. Accessed 10 Sept. 2023.
[4] *Defending Our Homes: Addressing the Housing Human Rights Crisis in Rural Middle Tennessee* . Bedford County Listening Project , Aug. 2023.

ENTERPRISE-BACKED PROPERTIES IN SHELBYVILLE, MA

PROPERTY	LANDLORD	UNITS	ENTERPRISE LOAN VALUE	LOAN ORIGINATION	INCOME RESTRICTIONS AND RENT HIKES
Bedford Manor/Canterbrook Village	WNC & Associates (Irvine, CA)	108	$10,474,000	2021	Project Based Section 8, 20 LIHTC Units, affordability requirements expired in 2018.[5]
Park Trail	Read Property Group (Brooklyn, NY)	108	$3,138,000	2020	108 LIHTC units, entered LIHTC program in 2002.[6] Threatening to refuse Section 8 vouchers in 2023, tenants report new ownership will hike rents between 70-100%.
The Ridge	Rich Smith Properties (Little Rock, AR)	72	$1,050,000	2014	72 LIHTC units, entered LIHTC program in 2010.[7]
Admiral Place	Unknown	56	$3,520,000	2020	No income restrictions. Hiked rents an average of 8.5% in 2021 and another 21.5% in 2022. Tenants report rents at $1,225 today.
Oak Knoll	Clear Blue Equity (Nashville, TN)	48	$1,852,000	2016	No income restrictions. Hiked rents 9.2% between 2020-2021. Tenants report rent hikes upwards of 50% over the last three years.

MEDIA COVERAGE OF SHELBYVILLE HOUSING SUPPLY / ENTERPRISED-BACKED PROPERTIES
Shelbyville renters protest outside a Nashville property management giant for safer temporary housing (NPR Nashville, 2022)

[5] "LIHTC Database Access." *Lihtc.huduser.gov*, lihtc.huduser.gov. Accessed 10 Sept. 2023.
[6] Id
[7] Id

CASE STUDY 2: KANSAS CITY, MO

Kansas City, MO has a population of 508,394. Top employers in the city are the public school system and the federal government. The median income for a tenant household in Kansas City is $38,383 per year, so a truly affordable rent (30 percent of median income) would be $531.[8,9]

Within the Kansas City, MO-KS (Metro) area, there are 69,971 extremely low income tenant households but only 27,199 rental homes affordable and available. Kansas City faces a housing supply gap of 42,772 units.[10]

Kansas City landlords are hiking rents at the fastest rate in the country. A report released in July 2023, found that landlords hiked rents 16 percent year over year, with median rent at $1,666.[11]

Historically, the Midtown neighborhood offered some of the most affordable rental housing within reach of Kansas City's key economic centers and public transit. Today, Midtown is the most rapidly gentrifying area in the city. Corporate landlords have purchased and flipped properties, aggressively hiking rents. One landlord, Chicago-based MAC Properties, has spearheaded this effort.

In the last decade, Mac Properties acquired or built at least 29 properties across a one mile stretch of Armour Boulevard in Midtown, Kansas City.[12] The Enterprises played a critical role in Mac's takeover of Midtown. Between 2013-2017 Fannie Mae backed eight mortgages totalling $95,799,000 for Mac Properties. Those mortgages cover at least 12 buildings that include 1,259 apartment units.

The Bellerive, Ambassador, International, and 3435 Main—all Mac-owned buildings—had DSCRs (Debt Service Coverage Ratio) below 0.8 from 2020-2023. This suggests that regular rent hikes are part of Mac's business model, critical to meeting debt obligations as interest-only periods expire on their loans. Mac Properties hikes rents and associated fees annually. Today, rents for one bedroom apartments at their properties range from $900 to $1,575.[13]

Rent hikes and gentrification have forced Black tenants out of the neighborhood. Along the one mile of Armour Boulevard where Mac owns nearly all rental properties, the Black population declined by 11 percent between 2010-2021.

Mac's business model is predicated on debt and rent hikes; they rely on Enterprise-backed loans with favorable terms and limited regulation. This business model makes money for Mac investors, but it comes at a significant cost to tenants in Kansas City.

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[8] "Instagram." *www.instagram.com*, KC Tenants , 8 Aug. 2022, www.instagram.com/p/ChAF32tuUeO/?utm_source=ig_web_copy_link&igshid=MzRlODBiNWFlZA==. Accessed 10 Sept. 2023.
[9] This calculation is based on median income in Kansas City, MO. Most measures of affordability are based on "area median income (AMI)" that often encompasses surrounding regions, including much wealthier suburbs. For the purposes of describing the housing supply gap in Kansas City, we have focused on Kansas City's median income.
[10] "Gap Report: Missouri." *National Low Income Housing Coalition*, nlihc.org/gap/state/mo. Accessed 10 Sept. 2023.
[11] Hernandez, Joseph . "Kansas City Had Biggest Increase in Rents in U.S.: Study Finds ." *Kansas City Star* , Kansas City Star , 14 Aug. 2023, account.kansascity.com/paywall/subscriber-only?resume=278230938&intcid=ab_archive. Accessed 10 Sept. 2013.
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[13] Id

ENTERPRISE-BACKED LOANS TO MAC PROPERTIES IN MIDTOWN, KANSAS CITY, MO

PROPERTY	UNITS	ENTERPRISE LOAN VALUE	LOAN ORIGINATION	INCOME RESTRICTIONS	LISTED RENT FOR ONE BEDROOM / ONE BATHROOM[14]
Loan Package #1			2013		
Del Monte	54			No	$900 (600 sqft)
3408 Gillham Apartments	6			No	No units available
Raleigh Arms	12			No	No one bedroom units available
	Loan Package Total	$2,595,000			
Loan Package #2			2013		
The 640	81			No	No units available
The Hamilton	70			No	$900 (510 sqft)
The Brownhardt	77			No	$1,095 (763 sqft)
	Loan Package Total	$12,068,000			
Armour Park	453	$25,600,000	2015	20% ≤50% AMI	No units available
Bellerive Apartments	150	$13,360,000	2015	20% ≤50% AMI	$1,175 (505 sqft)
The Newbern	108	$10,725,000	2017	No	$1,215 (736 sqft)
The Ambassador	112	$9,825,000	2017	No	$1,125 (666 sqft)
The International	56	$13,050,000	2017	No	$1,575 (942 sqft)
3435 Main	80	$8,576,000	2017	No	$1,225 (646 sqft)
ENTERPRISE-BACKED LOAN TOTAL		**$95,799,000**			

MEDIA COVERAGE OF MAC PROPERTIES USE OF GSE FINANCING TO HIKE RENTS AND EVICT TENANTS
Lease non-renewals prompt New Yorker residents to team up with KC Tenants (KSHB Kansas City, 2023)

[14] Search Apartments in Kansas City | Mac Properties." *Macapartments.com*, 2023, www.macapartments.com/search?minRent=0&maxRent=9000&buildingOrStreet=Kansas+City&bedroomsPlus=&moveInDate=11%2F11%2F2023&live=&live=. Accessed 10 Sept. 2023.

CASE STUDY 3: CHICAGO, IL

The city of Chicago is rapidly losing affordable housing supply to real estate speculation. As of 2021, Chicago saw a roughly 15 percent decline in the affordable supply since 2012. Nearly 37 percent of this loss occurred between 2019-2021.[15] In 2021, there were 326,210 extremely low income households in the Chicago-Naperville-Elgin, IL-IN-WI (Metro) region but only 91,542 affordable and available rental homes. The city's affordable housing supply gap is 234,668 units.[16]

Woodlawn is a predominantly Black neighborhood on the south side of Chicago. The neighborhood surrounds Jackson Park and the University of Chicago. Woodlawn tenants face the worst of Chicago's supply gap. According to the Washington Post, median rents have increased 43 percent in the area since 2015.[17] 24,425 people live in Woodlawn; 79.7 percent are tenants, occupying 7,975 rental units. 57.1 percent of Woodlawn tenants spend more than 30 percent of their income on rent.[18]

In Woodlawn there are an estimated 52 buildings and 1,445 apartment units with Enterprise-backed mortgages. Fannie Mae has backed financing for approximately 18 percent of multifamily units in the neighborhood. If there is any affordable housing left in Woodlawn, it is primarily in buildings with Enterprise-backed mortgages.

Private equity firm Emerald Enterprise owns a significant portion of Enterprise-backed properties in Woodlawn. In 2022, Emerald Enterprise acquired 7,500 units from Pangea Real Estate with an Enterprise-backed loan. 558 of those units are in Woodlawn. Pangea Real Estate, the previous owner of the properties, is a notorious slumlord in Chicago. Their entire business model was predicated upon buying cheap buildings in Black neighborhoods, skimping on maintenance, and filing evictions. Between 2009-2018, Pangea filed over 9,000 evictions.[19]

Smaller landlords in Woodlawn are now following in Pangea's footsteps. In December 2019, 312 Real Estate acquired 35 apartment units at 6610 Kenwood Avenue. In 2021 Fannie Mae purchased their loan. Since they bought the building, 312 Real Estate has hiked rents across the board and deferred critical maintenance. Tenants have been forced to live with rodent infestations, electrical outages, leaks, and sewage backups. In July, the tenants of 6610 Kenwood formed a tenant union.

MEDIA COVERAGE OF WOODLAWN LANDLORDS' EFFORTS TO MAXIMIZE THEIR PROFITS, AT THEIR TENANTS' EXPENSE

- Woodlawn Tenants Unionize, Say Landlord Has Allowed Rodents, Roaches and Mold (Block Club Chicago, 2023)
- Pangea has taken thousands to eviction court. The story of an apartment empire (Chicago Reader, 2019)

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[16] "Gap Report: Illinois." *National Low Income Housing Coalition*, nlihc.org/gap/state/il. Accessed 10 Sept. 2023.
[17] Lang, Marissa J. "Chicago Neighbors Say Obama Center Is Raising Rents, Forcing Them Out." *Washington Post*, 6 Apr. 2023.
[18] *Woodlawn Community Data Snapshot*. Chicago Metropolitan Agency for Planning, July 2023.
[19] Dukmasova, Maya. "Pangea Has Taken Thousands to Eviction Court. The Story of an Apartment Empire." *Chicago Reader*, 16 May 2019, chicagoreader.com/news-politics/pangea-has-taken-thousands-to-eviction-court-the-story-of-an-apartment-empire/. Accessed 10 Sept. 2023.

CASE STUDY 4: LOUISVILLE, KY

Louisville, Kentucky has a population of 628,594. Louisville is a hub for manufacturing with Ford Motor and GE factories. A housing needs assessment published in 2019 found Louisville was short 58,341 units for low income tenants. The bulk of that shortage was homes affordable to extremely low-income households (31,412 units), while very low-income households had the second largest need (22,520 units). The shortage for low-income households, or 80 percent AMI and below, was 4,409 units.[20]

Mobile home parks have historically provided some of the most affordable housing for tenants in rural and southern communities. In the last decade, corporate landlords and private equity firms, such as Havenpark Capital, have taken a keen interest in purchasing mobile home parks. In Louisville, seven mobile home parks are home to 1,815 units. According to the Louisville Tenant Union, tenants at Pioneer Acres, River Oaks, and Ashley Pointe have experienced rent hikes between $150-$200 in the last year.

MOBILE HOME PARKS WITH ENTERPRISE-BACKED LOANS IN LOUISVILLE, KY

PROPERTY	UNITS	LOAN ORIGINATED	RENT HIKES
Southland MHC	311	2020	
Holiday Mobile Home Park	315	2020	
Fort Bluegrass	199	2020	
Pioneer Acres	180	2022	Tenants are reporting lot rent hikes between $150 and $200.
River Oaks	106	2022	Tenants are reporting lot rent hikes between $150 and $200.
Whispering Oaks Pointe	374	2023	Tenants are reporting lot rent hikes between $150 and $200.
Ashley Pointe	330	2023	Tenants are reporting lot rent hikes between $150 and $200.

MEDIA COVERAGE OF INVESTOR PURCHASES OF MOBILE HOME PARKS

- Iowa City mobile home residents say Havenpark is still pricing people out (CBS Iowa, 2022)
- How the government helps investors buy mobile home parks, raise rent and evict people (NPR, 2021)
- Wall Street investors pricing Americans out of last bastion of affordable housing (CNS Maryland, 2021)
- Private equity firms rapidly investing in mobile home parks (AP, 2019)

[20] "Housing Needs Assessment ." *LouisvilleKY.gov*, Louisville-Jefferson County Metro Government, louisvilleky.gov/government/housing/housing-needs-assessment. Accessed 10 Sept. 2023.

CASE STUDY 5: LOS ANGELES, CA

Los Angeles has a population of 3.8 million and 60 percent of the city's residents are tenants.[21] In 2023, the median rent for a one bedroom apartment in L.A.is $2,905.[22] In the Los Angeles-Long Beach-Anaheim, CA (Metro) area, 490,524 tenant households are extremely low income but only 98,368 rental homes are affordable and available for this population. There is a shortage of 392,156 affordable rental units.[23]

Los Angeles is home to approximately 650,000 rent controlled apartment units, protected under the Los Angeles Rent Stabilization Ordinance.[24] Two of the largest multifamily complexes with rent controlled units have Enterprise-backed financing: Barrington Plaza and La Brea Park.

Barrington Plaza consists of 712 apartment units and is the third largest complex covered by the Rent Stabilization Ordinance. The building is owned by Douglas Emmett, a multi-billion dollar corporate landlord and developer. Barrington Plaza has an Enterprise-backed $210 million loan originated in 2017. Based on their operating statements, Barrington Plaza hiked average rents nearly 18 percent from $2,126 in 2020 to $2,505 in 2022. This summer, Emmett filed to evict tenants from all 577 occupied units, citing the need to retrofit the sprinkler system in the building. Emmett will be able re-rent the units at market rate after renovations.[25] 712 units of affordable housing will be lost.

Park La Brea is the largest multifamily housing complex west of the Mississippi and the largest complex covered by Los Angeles' Rent Stabilization Ordinance: 18 high rises with 4,249 units and nearly 10,000 residents. Park La Brea was constructed in 1950 and has been owned by Prime Residential since 1995.[26] In April 2015, Prime Residential secured an $878 million loan for Park La Brea via the Freddie Mac K-Deal Program.[27] In July 2023, Prime Residential struck another deal with Freddie Mac for a $947 million refinance. Representatives from the property said that tenants would receive rent hikes in February of 2024.[28] Once again, tenants will cover the landlords' increased debt load.

MEDIA COVERAGE OF THE SUPPLY LOSS AT BARRINGTON PLAZA AND PARK LE BREA

- Opinion: I'm a tenant in the mass eviction at Barrington Plaza. This developer decision could devastate L.A. (Los Angeles Times, 2023)
- Judge denies injunction sought by Barrington PLaza tenants as eviction deadline looms (ABC Los Angeles, 2023)
- Park La Brea Closes on $947M Loan, (Los Angeles Business Journal, 2023)
- Freddie Mac to Purchase Its Largest Single Property Loan–$878 Million Loan for Park La Brea in Los Angeles (Freddie Mac, 2023)

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[21] "U.S. Census Bureau QuickFacts: Los Angeles City, California." *www.census.gov*. Accessed 12 Sept. 2023.
[22] "Rental Market Trends in Los Angeles, CA ." *Rent.com*. Accessed 11 Sept. 2023.
[23] "Gap Report: California." *National Low Income Housing Coalition*, nlihc.org/gap/state/ca. Accessed 12 Sept. 2023.
[24] Blumenfield, Bob. "L.A. City Council Approves Significant New Renter Protections - Streetsblog Los Angeles." *La.streetsblog.org*, 21 Jan. 2023, la.streetsblog.org/2023/01/20/l-a-city-council-approves-significant-new-renter-protections. Accessed 12 Sept. 2023.
[25] Lawrence, Robert. "Opinion: I'm a Tenant in the Mass Eviction at Barrington Plaza. This Developer Decision Could Devastate L.A." *Los Angeles Times*, 17 July 2023, www.latimes.com/opinion/story/2023-07-17/barrington-plaza-los-angeles-housing-eviction. Accessed 11 Sept. 2023.
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